

SUNTAR ECO-CITY LIMITED

(Company Registration No. 200613997H)

(Incorporated in the Republic of Singapore)

RESPONSE TO SGX QUERY ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

The Board of Directors (the “**Board**”) of Suntar Eco-City Limited (the “**Company**” or together with its subsidiary, the “**Group**”) refers to the announcement made by the Company of its Annual Report for the financial year ended 31 December 2022 (“**Annual Report**”) released to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) on 13 April 2023 (Announcement Reference: SG230413OTHR133R).

The Board wishes to provide the additional information in response to the SGX-ST's queries as follows: -

Query 1:

In accordance with Listing Rule 710A(2), the Company is required to disclose, inter alia, the following in relation to its board diversity policy:

- (a) the Company's targets to achieve diversity on its board;
- (b) the Company's accompany plans and timelines for achieving the targets; and
- (c) the Company's progress towards achieving its targets within the timelines.

We note that the Company has not disclosed the above in its annual report. Please disclose accordingly.

Company's Response to Query 1:

The main objective of the policy is to have the appropriate balance of skills, experience, knowledge and other aspects of diversity on the Board to support the long-term success of the Group.

With reference to page 13 of the Annual Report, the Board consist of respected individuals from different backgrounds whose core competencies, qualifications, skills and experience are extensive and complementary. These including accounting, finance, pharmaceutical, property development, engineering, business and management experience. Key information regarding the academic and professional qualification and other appointments is set out on pages 6 to 7 of the Annual Report.

As disclosed in the Annual Report on page 13, the Board has achieved its objectives of ensuring diversity of skills and experience, as the current Board members possess a mix of professional accounting and diverse backgrounds. The Board and Nominating Committee believe that the target for overall diversity has already been met, with the present size, structure, and composition of the Board and its committees providing adequate diversity and independence. The directors bring their diverse professional expertise to discussions and decision-making, resulting in efficient and effective outcomes that are critical to meeting the Group's objectives. The Company aims to maintain a satisfactory level of diversity of the Board.

Although the Board and Nominating Committee believe that the Board has achieved its diversity targets, the Company strives to continuously improve our diversity efforts. As we consider new candidates for the Board, we will ensure that they meet the diversity policy, with the hope of achieving greater diversity in the near future to address the dynamic business environment. As of current, the Board and Nominating Committee had identified two potential candidates to be part of the members of the Board, and also take into consideration of the required skillset, expertise, experience and knowledge as criteria and element of diversity in selecting the candidates. For details information on the progress of identifying new candidates, please refer to Company's response to Query 4 below.

The Nominating Committee and the Board however, recognize that skill-set and core competencies required of the Board may change over time as the business of the Group develops, hence any progress made towards our Board Diversity Policy will be disclosed in our future Corporate Governance Report, as appropriate.

Query 2:

Listing Rule 1207(18B)(b) requires the issuer to ensure the identity of the whistleblower is kept confidential. We note on page 24 of the Company's Annual Report that there is no indication on whether the identity of the whistleblower will be kept confidential. Please explain how the Company has complied with this rule.

Company's Response to Query 2:

The Company has established a Whistle Blowing Policy and procedure, which provides employees and other stakeholders with a confidential mechanism for reporting concerns about possible improprieties in matters of financial reporting or other areas. The policy outlines that all whistle-blowing matters received by the Group will be treated confidentially, and the identity and interest of the complainant will be protected unless it is necessary or appropriate to conduct an investigation and take remedial action.

The Whistle Blowing Policy further states that upon receipt of a complaint, the Audit Committee Chairman, in consultation with fellow Audit Committee members, will exercise discretion on how to proceed with the investigation and recommend any remedial measures to be taken based on the results of the investigation presented by the independent investigation team appointed by the Audit Committee.

The company secures whistle blowing channel is designed to provide a safe and confidential mechanism for employees and other stakeholders to report any concerns they may have.

Query 3:

It is disclosed on page 28 of the Annual Report that, the remaining proceeds of approximately S\$6.6 million has not been utilized to-date. Taking into consideration the Group's cash and cash equivalents of RMB 10.3 million as at 31 Dec 2022, please clarify whether and how such remaining proceeds have been utilized. Please also explain why the Company only has cash and cash equivalents of RMB 10.3 million, despite having remaining utilized proceeds of approximately S\$6.6 million.

Company's Response to Query 3:

As stated in our annual report on page 28, in order to increase the flexibility in the deployment of the funds, the Company had re-designated the remaining proceeds as working capital of the Company. As a result, the S\$6.6 million proceeds not utilized is not fully reflected by the cash and cash equivalents on the balance sheet.

Query 4:

Rule 710 requires an issuer to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "Code"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. We note that the Company had not complied with Provision 2.2 of the Code as independent directors do not make up a majority of the board. Please elaborate further on the steps taken by the board in finding a suitable Independent Director candidate and the progress to-date. Please specify how many candidates has the board identified and interviewed.

Company's Response to Query 4:

Considering our current business structure, which primarily focuses on the property development and health&nutrition industries, we have evaluated the composition of our Board of Directors and determined that our current structure is adequate to meet the Company's requirements. While we understand the importance of having independent directors make the majority of the Board, we believe that our current Board composition, which non-executive directors made the majority, with independent directors making up half of the Board, is suitable for our business operations.

However, the Management is actively searching for potential candidates. As of now, two candidates with a finance background have been identified as a relatively suitable candidate to fill the upcoming vacancy left by the retiring independent director. Candidates have gone through the first round of interviews with the Board. As all of our business operations are in China, the Board is currently considering candidates with a background and relevant experience in the Chinese market. Due to travel restrictions over the past two years, all interviews have been conducted online. While two candidates have been interviewed, we remain cautious as we are still considering several potential candidates.

Given our ongoing transformation and development, it is essential to find an independent director who is not only suitable but also aligned with the company's current needs. While we are seeking potential independent directors, finding an appropriate fit for the Company's evolving needs remains our top priority.

BY ORDER OF THE BOARD**Dr Lan Weiguang
Non-Independent Non-Executive Chairman****28 April 2023**